

Message Text

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ORIGIN EA-09

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DRAFTED BY EA/PHL:JSARIORTIUS
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EA ONLY

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R 120245Z MAR 77
FM SECSTATE WASHDC
TO AMEMBASSY MANILA
INFO CEBU BY POUCH

C O N F I D E N T I A L STATE 055631

E.O. 11652: GDS

TAGS: ETRD, RP, US

SUBJECT: DEVELOPMENTS IN US SUGAR POLICY

1. EA/PHL HAS LEARNED THAT INTERNATIONAL TRADE COMMISSION (ITC), AFTER FINDING THAT DOMESTIC SUGAR INDUSTRY IS BEING JEOPARDIZED BY RISING IMPORTS, WILL RECOMMEND RETURN TO COUNTRY QUOTA SYSTEM. DRAFT ITC REPORT TO THE PRESIDENT PROPOSES THREE ALTERNATIVE QUOTA LEVELS (BASES FOR WHICH ARE NOT CLEAR TO US) FOR EACH SUPPLYING COUNTRY AS OPTIONS FOR WHITE HOUSE CHOICE. IN CASE OF PHILIPPINES, THESE WOULD BE: 621,893 SHORT TONS (5W4,05, METRIC TONS), -,6,115 SHORT TONS (821,846 METRIC TONS), 1,005,000 SHORT TONS (911,535 METRIC TONS). FOREGOING SPECULATIVE UNTIL ITC TAKES FINAL VOTE, NOW SCHEDULED FOR MONDAY AFTERNOON (MARCH 14). ITC RECOMMENDATION, BASED ON VOT- TO GO TO PRESIDENT AFTER MARCH 17 COULD WELL TOUCH OFF UPROAR, INCLUDING PHILIPPINES, WHERE EVEN MOST FAVORABLE QUOTA
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WOULD BE SIGNIFICANTLY LOWER THAN 1.35 MILLION METRIC TONS CONTRACTED BY U.S. REFINERS.

2. HOWEVER, IT IS EB'S BEST JUDGMENT THAT ITC RECOMMENDATIONS WILL NOT BE SIGNIFICANT IN CONTEXT OF USG CONSIDERATION OF SUGAR POLICY. INTERAGENCY SUGAR COMMITTEE IN FINAL STAGES OF DRAFTING OPTIONS. THESE INCLUDE GLOBAL

IMPORT QUOTA AND PRICE SUPPORTS FOR DOMESTIC CANE AND BEET PRODUCERS TO RAISE US SUGAR PRICE, ALONE OR IN COMBINATION. IMPORTS THIS YEAR ARE VARIOUSLY PROJECTED AT BETWEEN 4.2 MILLION AND 5.0 MILLION METRIC TONS. USDA PROPOSAL FOR IMPORT LEVEL OF 4.2 MILLION TONS MIGHT PRECIPITATE SCRAMBLE AMONG FOREIGN SUPPLIERS TO SHIP BEFORE QUOTA USED UP, WITH CONSEQUENT FOREIGN POLICY PROBLEMS AS WELL AS SEVERE MARKET DISRUPTION. STATE IS STRONGLY PRESSING FOR GLOBAL QUOTA SUFFICIENTLY LARGE TO ACCOMMODATE TOTAL ANTICIPATED IMPORTS.

3. IN ANOTHER DEVELOPMENT AFFECTING PHILIPPINES, MARCH 11 WALL STREET JOURNAL REPORTED SUCREST NEGOTIATING WITH A PRIVATELY HELD CORPORATION FOR THE SALE OF ITS SWEETENER DIVISION (WHICH BUYS AND REFINES RAW CANE SUGAR AND MARKETS REFINED SUGAR FOR INDUSTRIAL AND RETAIL CONSUMPTION). ARTICLE NOTED SWEETENER DIVISION IS, IN EFFECT, MOST OF SUCREST'S BUSINESS. WENT ON TO STATE THAT SUCREST OFFICIALS REFUSED TO DISCUSS REASONS FOR PROPOSED SALE, AND THAT ANNOUNCEMENT TOOK FOOD ANALYSTS AND SUGAR BROKERS BY SURPRISE. COMMENT: RUMOR HAS IT THAT GREAT WESTERN IS THE INTENDED BUYER.

4. NOTE EA ONLY CAPTION.
VANCE

NOTE BY OC/T: POUCHED CEBU.

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